

# ORCHARD BRANDS

T. NEALE ATTENBOROUGH  
Chairman & Chief Executive Officer

May 8, 2009

To the Commissioners of  
The US Postal Regulatory Commission  
901 New York Avenue, NW, Suite 200  
Washington, DC 20268-0001

OFFICIAL

Dear Commissioners:

I am writing to offer my strong support of the Postal Service's Standard Mail Volume Incentive Pricing Program, also known as the "Summer Sale".

As background, I am Chairman and Chief Executive Officer of Orchard Brands. Our company is a portfolio of 18 catalog titles all of which share the unique distinction of being targeted at customers whose average age is 65-70 years old (a listing of our catalog titles is detailed below and can be found at [www.orchardbrands.com](http://www.orchardbrands.com)). These are very desirable and underserved customers who have a 60% higher propensity to shop via catalog than the average customer. Our company has sales in excess of \$1 billion and 90+% of our demand is driven by our catalog and letter mailings.

Prior to the rate hike for catalogs in 2007, our circulation was growing 2-4% per year. Following the 2007 rate hike our circulation has declined on average 15% per year, and that trend continued through the first quarter of this year. Simply put, the amount of the rate hike in 2007 has made it almost impossible to mail to attract new customers, or to reactivate customers who used to buy from us. This has only been exacerbated by the current economic conditions. We believe this same phenomenon has been occurring across the catalog industry.

This "tipping point" created by the very large rate hikes in 2007 has caused a perpetual downward spiral in catalog mailings, a trend which feeds on itself in a very negative way. For example, the less we can economically mail, the fewer customers we have. The fewer customers we have, the less we can mail, and the cycle continues.

However, we can reverse that trend, and the summer sale is a very good start. Based on the summer sale, we will see a dramatic positive shift from the current 15% decline. These are truly incremental mailings that will drive increased demand, and that is the kind of variable incremental circulation a program like this can drive.

While we would like to see this incremental mailing incentive be made permanent, at least the summer sale will prove the kind of impact the contemplated incentive can have on the catalog mailing industry. Importantly, this relatively short term program

will also have the effect of adding to our file of those customers that have purchased from us in the past year, a critical driver of future mailing volumes.

However timing is of the essence. The absolute latest date which we can react and increase our July mailing quantities is on or about May 20<sup>th</sup>. If approval of this program is significantly delayed beyond that, the extent to which we can impact Q3 mailing volumes declines commensurately.

I would be happy to help articulate further the short and long term potential benefits of this program to our company and Orchard Brands. Please let me know if I can be of assistance in doing so.

Respectfully submitted,



Neale Attenborough  
Chairman and Chief Executive Officer  
Orchard Brands

The Brands of Orchard Brands

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